

Section Monitoring Plan Requirements

Each Section with subrecipients shall develop and maintain a monitoring plan in accordance with this Policy. This plan shall be the basis for monitoring program and fiscal compliance with State and Federal requirements. The primary objective of the monitoring plan(s) is to ensure that subrecipients are complying with applicable rules and regulations and that the program(s) are accomplishing their intended purpose(s). At a minimum each plan shall include:

1. A list and description of all subrecipients to be monitored (this includes programs funded with state, federal, and/or private dollars).
2. Identification of the type of subrecipients (not-for-profit, governmental organization, public authority, for-profit) and the type and amount of funding (segregated between Federal, State and other funding wherever possible).
3. Identification of specific monitoring activities to be performed, including review of: contracts, internal controls on the disbursement of funds, (review of Self Assessment Summary) and eligibility of subrecipients, financial and programmatic reports, single audit findings, limited audit engagements.
4. The criteria to be used to complete an assessment of the risk of the subrecipient's ability to meet the objectives of the program and to comply with the program rules and regulations, and meet the financial management requirements. These criteria may include the size of the award, the complexity of the program, prior experience with the subrecipient, the cost-effectiveness of monitoring evaluations, past experience with paybacks, multiple funding sources, commingling of funds, and changes in management.
5. Procedures that are consistent with the assessment of risk for each subrecipient. These procedures may include: increasing/decreasing the frequency of review, expanding the sample for review, conducting desk audits, etc. Procedures must include written notification informing subrecipients of the results of the monitoring.
6. Process for reviewing previously identified deficiencies to determine if corrective action was taken.
7. Regular review of and input into the DHHS monitoring website to determine whether previous issues have been resolved, that data is current, and for coordination of on-site monitoring visits.
8. Specific procedures that will address relevant compliance requirements for each type of funding. The following requirements have been identified in the compliance supplements (See Attachment B for further clarification):
 - A. Activities Allowed or Unallowed;
 - B. Allowable Cost/Cost Principles;
 - C. Cash Management;

- D. Davis-Bacon Act;
 - E. Eligibility;
 - F. Equipment and Real Property Management;
 - G. Matching, Level of Effort, Earmarking;
 - H. Period of Availability of Federal Funds;
 - I. Procurement, and Suspension and Debarment;
 - J. Program Income;
 - K. Real Property Acquisition and Relation Assistance;
 - L. Reporting;
 - M. Subrecipient Monitoring; and
 - N. Special Tests and Provisions.
9. Process for assessing Conflict of Interest policies.
10. Designated staff responsible for required monitoring activities, designated staff responsible for maintaining monitoring documentation, designated staff responsible for updating DHHS Monitoring Database and designated staff responsible for follow-up procedures.

COMPLIANCE REQUIREMENT ACTIVITIES

A. Activities Allowed or Unallowed

- Specifies the activities that can or cannot be funded under a specific program.
- Adherence to Administrative funding limits.

B. Allowable Cost/Cost Principles

- Cost must be reasonable and necessary for the performance and administration of Federal awards.
- Allocable to the Federal awards or CASB (Cost Allocation Standards Board Standards).
- Consistent treatment through GAAP (generally accepted accounting principles).
- Conform to any limitations or exclusions set forth in the federal regulations and circulars, NC General Statutes and state policy.
- Must be net of applicable credits (program generated income).
- Cost must be properly documented.
- A cost allocation plan (CAP) or indirect cost rate proposal (IDCRP) must be either submitted to the Federal cognizant agency for indirect cost negotiation for approval or developed and maintained on file in accordance with applicable federal regulations.

C. Cash Management

- When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the state.
- When the funds are advanced, awarding divisions/offices must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.
- Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursement.
- Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Interest earned by non-State nonprofit entities on Federal fund balances in excess of \$250 must be remitted to federal Department of Health and Human Services, Payment Management, PO Box 6021, Rockville, MD. 20852. (ref. OMB Circular-133 Compliance Supplement).

D. Davis-Bacon Act

When required, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project.

E. Eligibility

The specific requirements for eligibility are unique to each Federal/State program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

F. Equipment and Real Property Management

Title to equipment and real property acquired by a non-Federal entity with Federal Awards vests with the non-federal entity, but the division granting the Federal funds must approve disposition or transfer of such equipment.

G. Matching, Level of Effort, Earmarking

- **Matching** or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. May be allowable costs incurred, cash or in-kind contributions.
- **Level of effort** includes requirement for a specified level of service to be provided from period to period, a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period and Federal funds to supplement and not supplant non-Federal funding of services.
- **Earmarking** includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Maybe also for specified in relation to the types of participants covered.

H. Period of Availability of Federal Funds

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Non-Federal entities subject to the A-102 /Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period to coincide with the submission of the annual Financial Status report. The Federal agency may extend this deadline upon request.

I. Procurement and Suspension and Debarment

- States, governmental subrecipients of States, shall use the same policies and procedures used for procurement from non-Federal funds.
- Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions.

J. Program Income

Program Income is the gross income received that is directly generated by the Federally-funded project during the grant period. Program Income includes but not limited to:

- fees from services performed;
- use or rental of real or personal property acquired with grant funds;
- the sale of commodities or items fabricated under a grant agreement; and,
- payments of principal and interest on loans made with grant funds.
- Program Income does NOT include proceeds from the sale of equipment or real property.
- Uses of Program Income:
 - deducted from outlays;
 - added to project budget; and,
 - used to meet matching requirements.

K. Real Property Acquisition and Relocation Assistance

Uniform and equitable treatment of persons displaced by Federally-assisted programs from their homes, businesses, or farms. Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to assure acceptability. Federal requirements govern the determination of payments for replacement housing assistance, rental assistance, and down payment assistance for individuals displaced by Federally-funded projects. The regulation also covers the payment of moving-related expenses and reestablishment expenses incurred by displaced businesses and farm operations.

L. Reporting

Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal or State awarding agency. If the Federal or State awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis.

M. Subrecipient Monitoring

- *A pass-through entity* is responsible for:
 - Identifying to the subrecipient the Federal award information and applicable compliance requirements.
 - Monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements.
 - Ensuring required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings.
 - Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.
 - Factors such as the size of awards, percentage of the total program's funds awarded to subrecipients and the complexity of the compliance requirements may influence the extent of monitoring procedures.
 - Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determination, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan.

N. Special Tests and Provisions

Specific requirements are unique to each Federal program and are found in the laws, regulations, and provisions of contract or grant agreements pertaining to the program. For programs not listed in the Compliance Supplement, the auditor shall review the program's contract and grant agreements and reference laws and regulations to identify the compliance requirements and develop the audit objectives and audit procedures which could have a direct and material effect on a major program. The auditor should also inquire of the non-Federal entity to help identify and understand any Special Tests and Provisions.

For both programs included and not included in the Compliance Supplement, the auditor shall identify any compliance requirements which are not based in law or regulation which could be direct and material to a major program.

SOURCE: OMB Circular A-133 Compliance Supplement - Part 3, dated March 2000